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UNITED STATES DEPARTMENT OF STATE
REVIEW AUTHORITY: ROBERT J. MARTENS
DATE/CASE ID: 29 OCT 1998 199403292

C O N F I D E N T I A L SECTION 01 OF 04 SEOUL 01015

E.O. 12356: DECL: OADR
TAGS: PREL, ETRD, KS, UR, XH
SUBJECT: NEW DEVELOPMENTS IN ROK UNOFFICIAL RELATIONS
WITH THE USSR AND EAST EUROPE

1. C - ENTIRE TEXT.
2. SUMMARY. DURING JANUARY 14-15 U.S.-ROK SOVIET EXPERTS CONSULTATIONS IN SEOUL, MOFA OFFICIALS DESCRIBED SUBSTANTIAL GROWTH IN ROK-USSR UNOFFICIAL RELATIONS IN 1987, INCLUDING A THREEFOLD INCREASE IN PERSONNEL EXCHANGES; AN 80 PERCENT EXPANSION IN TWO-WAY INDIRECT TRADE; A SHARP INCREASE IN INFORMAL CONTACTS WITH SOVIET OFFICIALS IN THIRD COUNTRIES; AND THE NEGOTIATION OF A BILATERAL AGREEMENT ON SOVIET PARTICIPATION IN THE SEOUL OLYMPICS. THEY ALSO NOTED GROWING INTEREST IN CLOSER
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COMMERCIAL RELATIONS WITH THE ROK ON THE PART OF SEVERAL EAST EUROPEAN COUNTRIES, PARTICULARLY HUNGARY WHICH IS SCHEDULED TO OPEN A TRADE OFFICE IN SEOUL THIS MONTH, AND YUGOSLAVIA WHICH IS PLANNING TO DO SO LATER THIS YEAR. THEY PREDICTED THAT FURTHER PROGRESS WITH THE SOVIET UNION WILL BE LIMITED BY MOSCOW'S PREOCCUPATION WITH STRENGTHENING ITS POLITICAL AND MILITARY TIES WITH PYONGYANG -- A PREOCCUPATION WHICH THEY ACKNOWLEDGED MIGHT BE STIMULATED BY THE NORTH'S DISPLEASURE OVER THE SOVIETS' OLYMPICS DECISION. THEY ALSO EXPRESSED CONCERN THAT KA 858 MIGHT CREATE PROBLEMS FOR THE ROK'S "NORDPOLITIK".

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END SUMMARY.

3. THE FIFTH U.S.-ROK SOVIET EXPERTS CONSULTATIONS WERE HELD IN SEOUL JANUARY 14-15 AGAINST THE BACKGROUND OF THE USSR'S JANUARY 11 ANNOUNCEMENT THAT IT WILL PARTICIPATE IN THE SEOUL OLYMPICS, AND THE PUBLIC CONFESSION JANUARY 15 OF THE FEMALE SUSPECT IN THE KA 858 CASE. THE U.S. DELEGATION WAS LED BY EUR DEPUTY ASSISTANT SECRETARY SIMONS AND INCLUDED EUR/SOV DIRECTOR PARRIS, DEPUTY DIRECTOR BURTON, AND REGIONAL AFFAIRS OFFICER YOUNG. THEIR PRINCIPAL ROKG INTERLOCUTORS WERE MOFA EUROPEAN BUREAU DIRECTOR GENERAL MIN HYUNG KI (HEAD OF DELEGATION) AND EAST EUROPEAN DIVISION DIRECTOR CHO CHANG POM. BELOW IS A SUMMARY OF THEIR DISCUSSION OF SOVIET RELATIONS WITH THE TWO KOREAS AND CURRENT DEVELOPMENTS IN ROK CONTACTS WITH OTHER EAST EUROPEAN COUNTRIES.

TRENDS IN ROK-SOVIET UNOFFICIAL RELATIONS

4. REVIEWING TRENDS IN ROK-SOVIET UNOFFICIAL RELATIONS IN 1987, DIRECTOR GENERAL MIN NOTED ENCOURAGING PROGRESS IN SOME AREAS BUT STILL NO CLEAR EVIDENCE THAT THE SOVIETS
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ARE WILLING TO MOVE TOWARD A MORE "OFFICIAL" RELATIONSHIP. ACCORDING TO HIM, THE MAIN DEVELOPMENTS WERE:

--A THREEFOLD INCREASE IN PERSONNEL EXCHANGES TO 393 PERSONS, 313 OF WHOM WERE SOVIET VISITORS, MAINLY PARTICIPANTS IN INTERNATIONAL SPORTS EVENTS HELD HERE;

--AN 80 PERCENT INCREASE IN TWO-WAY INDIRECT TRADE TO AN ESTIMATED USD 145 MILLION, INCLUDING ABOUT 125 MILLION IN ROK IMPORTS (SEE NOTE PARA 17 BELOW ON ROK TRADE STATISTICS);

--THE INITIATION OF ROK-SOVIET DISCUSSIONS IN TOKYO REGARDING POSSIBLE DIRECT TRADE BETWEEN PUSAN AND NAHODKA AND ONWARD SHIPMENT OF ROK GOODS VIA THE TRANS-SIBERIAN RAILWAY;

--THE FIRST-EVER DISPLAY OF ROK PRODUCTS CLEARLY IDENTIFIED AS SUCH IN A SOVIET TRADE FAIR (BY DAEWOO AT AN INTERNATIONAL ROBOTICS EXHIBITION IN LENINGRAD IN JULY);

--AN 80 PERCENT JUMP TO 59 CASES OF INFORMAL SOCIAL CONTACT BETWEEN ROK DIPLOMATS AND SOVIET OFFICIALS AND JOURNALISTS IN THIRD COUNTRIES;

--THE NEGOTIATION LAST DECEMBER OF AN AGREEMENT WITH THE SOVIET OLYMPIC COMMITTEE ON SOVIET PARTICIPATION IN THE

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SEOUL OLYMPICS (SEOUL 75).

DEVELOPMENTS IN SOVIET-DPRK RELATIONS

5. DIRECTOR CHO'S PRESENTATION ON THIS TOPIC STRESSED

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C O N F I D E N T I A L SECTION 02 OF 04 SEOUL 01015

E.O. 12356: DECL: OADR
TAGS: PREL, ETRD, KS, UR, XH
SUBJECT: NEW DEVELOPMENTS IN ROK UNOFFICIAL RELATIONS
THE SOVIETS' EVIDENT INTEREST IN STRENGTHENING THEIR
POLITICAL, MILITARY, AND DIPLOMATIC COOPERATION WITH NORTH
KOREA. HE CITED THE FOLLOWING DEVELOPMENTS IN 1987:

--INCREASED SOVIET SUPPORT FOR NORTH KOREAN INITIATIVES,

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INCLUDING A MORE ACTIVE ROLE IN BROKERING PYONGYANG'S PROBES FOR DIRECT TALKS WITH U.S.;

--THE ASSIGNMENT TO PYONGYANG OF A NEW SOVIET AMBASSADOR WHO IS, UNLIKE HIS IMMEDIATE PREDECESSORS, A HIGH-RANKING MEMBER OF THE SOVIET COMMUNIST PARTY;

--CONTINUED DELIVERIES TO NORTH KOREA OF ADVANCED WEAPONS,
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INCLUDING SU-25 FIGHTERS WHICH MAY BE FOLLOWED BY MIG-29'S;

--SOVIET PARTICIPATION IN NAVAL-AIR EXERCISES WITH NORTH KOREA IN SEPTEMBER AND OCTOBER, CONTINUING THE PATTERN OF CLOSER MILITARY COOPERATION ESTABLISHED IN 1986;

--INCREASED SOVIET ECONOMIC ASSISTANCE TO NORTH KOREA, INVOLVING A POSSIBLE DOUBLING OF BILATERAL TRADE DURING THE PERIOD 1986-90.

SOVIET PRIORITIES AND THEIR IMPLICATIONS

6. ACCORDING TO CHO AND MIN, MOSCOW'S POLICY TOWARD THE KOREAN PENINSULA IS LIKELY TO CONTINUE TO PUT HIGHEST PRIORITY ON FURTHER CONSOLIDATING SOVIET-DPRK RELATIONS. SOVIET MOTIVES INCLUDE STRATEGIC CONSIDERATIONS, ENHANCING THEIR ROLE IN PENINSULAR AFFAIRS, AND SECURING THEIR INFLUENCE IN NORTH KOREA DURING THE IMPENDING LEADERSHIP TRANSITION THERE. THE NORTH KOREANS, ON THEIR PART, WILL PROBABLY CONTINUE TO RELY ON THE SOVIETS TO ASSIST THEIR ECONOMIC AND MILITARY MODERNIZATION; DISCOURAGE CHINA FROM BROADENING ITS TIES WITH THE ROK; AND GAIN FOREIGN ACCEPTANCE OF THE SUCCESSION OF HEIR APPARENT KIM CHONG IL.

7. DISCUSSING THE CONSEQUENCES OF CLOSER USSR-DPRK COOPERATION FOR INTER-KOREAN RELATIONS, CHO CITED THE DANGER OF INCREASED NORTH KOREAN "ADVENTURISM" AS WELL AS THE NEW OPPORTUNITIES THAT MIGHT BE AFFORDED TO INDUCE THE SOVIETS TO USE THEIR INFLUENCE TO ENCOURAGE MODERATION IN PYONGYANG. ON THE LATTER POINT, USDEL AGREED THAT ANY SUCH OPPORTUNITIES SHOULD BE EXPLORED BUT CAUTIONED AGAINST OVERESTIMATING EITHER SOVIET LEVERAGE ON THE NORTH OR OUR ABILITY TO PERSUADE THEM TO USE IT CONSTRUCTIVELY.
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8. MIN INDICATED THAT, IN VIEW OF MOSCOW'S EMPHASIS ON

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CULTIVATING NORTH KOREA, THE ROKG DOES NOT EXPECT ANY SHORT-TERM CHANGE IN THE PRESENT SOVIET RELATIONSHIP WITH THE SOUTH. HE EXPRESSED SKEPTICISM THAT THE SOVIETS WOULD AGREE TO DIRECT TRADE AND DOWNPLAYED THE SIGNIFICANCE OF INCREASED ROK-SOVIET DIPLOMATIC CONTACTS, NOTING THAT ALL WERE NON-SUBSTANTIVE ALTHOUGH SOME APPARENTLY REFLECT SOVIET INTEREST IN ROK DOMESTIC POLITICAL DEVELOPMENTS. CHO ADDED THAT THE ROK AMBASSADOR IN ADDIS ABABA WAS THE ONLY SENIOR ROK DIPLOMAT INVITED TO A SOVIET NATIONAL DAY RECEPTION IN 1987 -- AND THIS MAY HAVE BEEN AN OVERSIGHT INASMUCH AS HIS COLLEAGUE IN YAOUNDE, WHO ATTENDED IN 1986, WAS NOT INVITED AGAIN REPORTEDLY ON SOVIET MFA INSTRUCTIONS.

IMPACT OF OLYMPICS AND KA 858 ON SOVIET POLICY

9. USDEL AND MOFA AGREED THAT THE SOVIETS' DECISION TO ATTEND THE SEOUL OLYMPICS WOULD LEND POSITIVE IMPETUS TO THE ROKG'S "NORDPOLITIK" BUT IS UNLIKELY TO LEAD TO AN IMMEDIATE BREAKTHROUGH IN ROK-SOVIET RELATIONS. MIN WAS SKEPTICAL THAT THE SOVIETS WOULD TAKE ADVANTAGE OF THEIR ATTENDANCE TO OPEN A TRADE OFFICE OR OTHER PERMANENT PRESENCE HERE. USDEL SPECULATED THAT SINCE MOSCOW'S DECISION TO PARTICIPATE HAS PROBABLY STRAINED SOVIET-NORTH KOREAN RELATIONS, THE SOVIETS MAY BE UNUSUALLY CAUTIOUS IN THEIR DEALINGS WITH SEOUL DURING THE RUN-UP TO THE GAMES, AND PERHAPS INCLINED TO TAKE "COMPENSATORY" ACTIONS TO ASSUAGE PYONGYANG.

10. REGARDING KA 858, USDEL SUGGESTED THAT TO THE EXTENT THE SOVIETS CONSIDER CREDIBLE THE ROKG'S JANUARY 15 ANNOUNCEMENT OF DPRK RESPONSIBILITY, THEIR DISCOMFORT WITH THEIR NORTH KOREAN ALLY IS LIKELY TO BE REINFORCED.

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E.O. 12356: DECL: OADR

TAGS: PREL, ETRD, KS, UR, XH

SUBJECT: NEW DEVELOPMENTS IN ROK UNOFFICIAL RELATIONS PUBLICLY, HOWEVER, SOVIET MEDIA CAN BE EXPECTED TO REPEAT NORTH KOREAN DENIALS, AND ANY OFFICIAL SOVIET COMMENT WOULD PROBABLY ACCUSE SEOUL OF "POISONING THE ATMOSPHERE" OF SOUTH-NORTH RELATIONS. DEPENDING ON THE DEGREE TO WHICH PYONGYANG FINDS ITSELF ISOLATED INTERNATIONALLY, MOSCOW MIGHT ALSO, IN USDEL'S VIEW, SEIZE THE OPPORTUNITY TO STRENGTHEN ITS TIES WITH THE NORTH AS IT DID AFTER THE 1983 RANGOON BOMBING.

11. CITING INDICATIONS OF AN INCIPIENT SOVIET POLICY DEBATE ON KOREA, USDEL RAISED THE POSSIBILITY THAT THE KA 858 AFFAIR AND SUCCESSFUL SOVIET PARTICIPATION IN THE SEOUL OLYMPICS COULD ENHANCE THE INFLUENCE OF THOSE WHO
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FAVOR A MORE BALANCED APPROACH TO THE TWO KOREAS. ALTHOUGH A SOVIET POLICY DECISION ON THIS ISSUE WOULD PROBABLY NOT BE MADE UNTIL AFTER THE NORTH KOREAN SUCCESSION, THE ROKG COULD ENCOURAGE THE DEBATE BY CONTINUING TO SHOW FLEXIBILITY AND SEEK OPPORTUNITIES FOR CONTACT. THE SOVIETS ARE CLEARLY INTERESTED IN THE ROK'S ECONOMIC DYNAMISM AND SEEM WILLING TO TOLERATE MOVES BY THEIR EAST EUROPEAN ALLIES TO ESTABLISH CLOSER COMMERCIAL RELATIONS WITH THE ROK, PERHAPS VIEWING THESE AS TESTS OF STEPS THEY CONTEMPLATE TAKING THEMSELVES LATER.

ROK CONTACTS WITH EAST EUROPEAN COUNTRIES

12. CHO ACKNOWLEDGED THAT THE ROK IS MAKING SIGNIFICANT PROGRESS IN EXPANDING ITS UNOFFICIAL RELATIONS WITH SOME OF MOSCOW'S SIX EAST EUROPEAN ALLIES AND YUGOSLAVIA. HE NOTED THAT PERSONNEL EXCHANGES WITH THESE COUNTRIES ROSE SHARPLY IN 1987 TO ABOUT 1,600 PERSONS. WHILE MOST VISITS CONTINUED TO TAKE PLACE WITHIN THE FRAMEWORK OF MULTILATERAL EVENTS, THE HUNGARIAN ACADEMY OF SCIENCES HAS AGREED TO HOST A BILATERAL CONFERENCE WITH SOUTH KOREAN SCHOLARS THIS SPRING WHICH WILL BE THE FIRST-EVER SUCH GATHERING. ROK TWO-WAY TRADE WITH EAST EUROPE REMAINED SMALL (APPROXIMATELY USD 100 MILLION) BUT IT GREW BY 25 PERCENT LAST YEAR AND ONE-FIFTH WAS "DIRECT" -- I.E. SHIPPED DIRECTLY RATHER THAN TRANSSHIPPED THROUGH THIRD COUNTRIES AS IN THE CASE OF ROK TRADE WITH THE USSR.

13. ACCORDING TO CHO, THE TREND TOWARD A MORE DIRECT ECONOMIC RELATIONSHIP WITH EAST EUROPEAN COUNTRIES IS ALSO REFLECTED IN THE OPENING OF TRADE OFFICES. THE WEST EUROPEAN SUBSIDIARY OF A MAJOR ROK CONGLOMERATE IS OPENING

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A BRANCH OFFICE THIS MONTH IN EAST BERLIN, AND A POLISH-JAPANESE JOINT VENTURE ("AGROPOL") HAS EXPRESSED INTEREST IN STATIONING A POLISH REPRESENTATIVE IN SEOUL. A RECIPROCAL TRADE OFFICES AGREEMENT WAS SIGNED LAST AUGUST BETWEEN THE HUNGARIAN CHAMBER OF COMMERCE AND THE SEMI-OFFICIAL KOREA TRADE PROMOTION CORPORATION (KOTRA). KOTRA PLANS TO SIGN A SIMILAR AGREEMENT THIS MARCH WITH THE LJUBLJANA CHAMBER OF COMMERCE IN YUGOSLAVIA, AND IS NEGOTIATING WITH POLISH AND EAST GERMAN COMMERCIAL ORGANIZATIONS.

14. CHO NOTED THAT THE ROK-HUNGARIAN AGREEMENT (87 SEOUL 9140) CALLED FOR THE OPENING OF TWO-MAN TRADE OFFICES SIMULTANEOUSLY IN SEOUL AND BUDAPEST LAST DECEMBER. KOTRA OPENED ITS OFFICE AS SCHEDULED, BUT THE HUNGARIANS DELAYED THE OPENING OF THEIRS UNTIL THIS MONTH, APPARENTLY UNDER NORTH KOREAN PRESSURE. THE HUNGARIAN OFFICE WILL INITIALLY BE STAFFED BY ONE MAN WHO WILL BE JOINED BY A SECOND IN APRIL. LIKE THEIR ROK COUNTERPARTS IN BUDAPEST, THEIR PRIMARY FUNCTIONS WILL BE TO GATHER COMMERCIAL INFORMATION, HANDLE TRADE INQUIRIES, AND ARRANGE VISITS BY TRADE DELEGATIONS. ONE OF THE HUNGARIANS WILL ALSO ACT AS HUNGARY'S OLYMPICS ATTACHE. BOTH OFFICES WILL BE EXEMPT FROM LOCAL TAXES, INCLUDING IMPORT DUTIES, BUT WILL NOT BE IMMUNE FROM LOCAL CIVIL AND CRIMINAL JURISDICTION.

15. CHO MADE IT CLEAR THAT MOFA DOES NOT OVERESTIMATE THE POLITICAL SIGNIFICANCE OF THESE MOVES WHICH IT SEES AS PROMPTED BY COMMERCIAL CONSIDERATIONS RATHER THAN INTEREST ON THE PART OF THE EAST EUROPEANS IN MOVING TOWARD OFFICIAL RELATIONS WITH SEOUL. DESPITE THE RELATIVELY SMALL VOLUME OF ROK-HUNGARIAN TRADE (UNDER USD 10 MILLION), THE HUNGARIANS ARE OUT IN FRONT OF THEIR EAST EUROPEAN NEIGHBORS IN SEEKING CLOSER COMMERCIAL TIES WITH THE ROK APPARENTLY BECAUSE THEY HOPE TO ATTRACT

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LARGE-SCALE SOUTH KOREAN INVESTMENT IN SUCH FIELDS AS AUTO
ASSEMBLY, CHEMICALS, AND ALUMINUM PROCESSING. CHO
INDICATED THAT ROK FIRMS REMAIN WARY OF THESE PROJECTS,
PREFERING TO START WITH SMALLER ONES.

NOTE ON TRADE STATISTICS

16. THE TRADE ESTIMATES CITED ABOVE ARE DERIVED FROM ROK
CUSTOMS DATA WHICH MOFA OFFICIALS ACKNOWLEDGE PROBABLY
UNDERSTATE THE ACTUAL TRADE FLOW, PARTICULARLY WITH THE
USSR AND EAST GERMANY. ACCORDING TO CUSTOMS DATA, ROK
TRADE WITH THESE COUNTRIES IN 1986 WAS USD 80 AND 26
MILLION RESPECTIVELY. HOWEVER, FIGURES COMPILED BY KOTRA
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ON THE BASIS OF COMPANY QUESTIONNAIRES INDICATE TOTALS OF
141 AND 98 MILLION. KOTRA'S ESTIMATE OF OVERALL ROK TRADE
WITH THE USSR AND EAST EUROPE IN THAT YEAR (279 MILLION)
IS THEREFORE SIGNIFICANTLY HIGHER THAN MOFA'S (157
MILLION). THESE DISCREPANCIES APPARENTLY REFLECT
SUBSTANTIAL UNDER-REPORTING BY ROK CUSTOMS OF SOUTH KOREAN
EXPORTS TO THE GDR AND USSR, MUCH OF WHICH IS TRANSSHIPPED
THROUGH THIRD COUNTRIES. HOWEVER, OUR KOTRA CONTACTS
CAUTION US THAT ITS COMPANY SURVEY METHOD INVOLVES A LARGE
MARGIN OF ERROR BECAUSE MANY FIRMS REPORTING SUCH EXPORTS
CANNOT CONFIRM THAT THE GOODS SENT TO THIRD COUNTRIES FOR
ONWARD SHIPMENT ACTUALLY REACHED THEIR ULTIMATE
DESTINATION. WE CONCLUDE THAT SOME UPWARD REVISION OF
MOFA'S FIGURES IS NECESSARY FOR THE GDR AND USSR BUT
PROBABLY LESS THAN THE KOTRA STATISTICS INDICATE.

COMMENT

17. WE WERE IMPRESSED BY OUR MOFA INTERLOCUTORS' DETAILED
-- AND WE THOUGHT RELATIVELY CANDID -- APPRAISAL OF THE
CURRENT STATUS OF ROK INTERACTION WITH THE USSR AND EAST
EUROPE. ALTHOUGH WE WERE AWARE OF MUCH OF THE SPECIFIC
INFORMATION PRESENTED, THEIR STATISTICAL OVERVIEW OF
RECENT TRENDS WAS NEW TO US AND UNDERScoreD THE
SUBSTANTIAL PROGRESS BEING MADE IN EXPANDING UNOFFICIAL

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CONTACTS. WE SHARE THEIR CAUTION CONCERNING THE SHORT-TERM POLITICAL SIGNIFICANCE OF THESE TRENDS, INCLUDING THE RECENTLY ANNOUNCED DECISION OF MOST MEMBERS OF THE SOVIET BLOC TO PARTICIPATE IN THE SEOUL OLYMPICS. WE ALSO AGREE WITH THEIR EMPHASIS ON THE NECESSITY FOR A PATIENT, STEP-BY-STEP ACCRETION OF NON-POLITICAL TIES AS THE PREREQUISITE FOR FUTURE MOVES TOWARD A MORE OFFICIAL RELATIONSHIP. THEY WERE CLEARLY MUCH CONCERNED BY THE

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POSSIBILITY THAT KA 858 MIGHT STALL THIS BRIDGE-BUILDING PROCESS. WE EXPECT THAT MINIMIZING THE ADVERSE EFFECTS OF KA 858, AND MAXIMIZING ITS POTENTIAL BENEFITS FOR SOUTH KOREA, WILL BECOME THE CHIEF PREOCCUPATION OF THE ROKG'S "NORDPOLITIK" DURING THE NEXT FEW MONTHS.

18. USDEL DID NOT SEE THIS MESSAGE BEFORE DEPARTING SEOUL.

19. MOSCOW MINIMIZE CONSIDERED. LILLEY##

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